

STATE OF WASHINGTON



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of American International)	
Pacific Insurance Company,)	Order D-2002-105
)	CONSENT ORDER
An Authorized Insurer.)	
)	
)	

FINDINGS OF FACT:

1. American International Pacific Insurance Company ("American International") holds a certificate of authority which was duly and properly issued by the Washington state Insurance Commissioner. American International is therefore governed by the provisions of Title 48 RCW, the Insurance Code. Specifically, it is authorized as a casualty insurer, among other lines of insurance.

2. In 1993, the Washington state legislature enacted chapter 48.87 RCW, "Midwives and Birth Centers- Joint Underwriting Association." RCW 48.87.030 provided that the Insurance Commissioner was required to approve, by December 31, 1993, "a reasonable plan for the establishment of a nonprofit joint underwriting association (JUA)...for midwifery and birth center insurance subject to the conditions and limitations contained in this chapter." RCW 48.87.040 provided that "The (JUA) association shall be comprised of all insurers possessing a certificate of authority to write and engaged in the writing of medical malpractice insurance within this state, and general casualty companies. Every insurer shall be a member of the (JUA) association and shall remain a member as a condition of its authority to continue to transact business in this state." RCW 48.87.100 authorized the Insurance Commissioner to adopt "all rules necessary to ensure the efficient, equitable operation of the association."

3. Pursuant to RCW 48.87.100, the Insurance Commissioner adopted rules, which are to be found in chapter 284-87 of the Washington Administrative Code (WAC), establishing a Joint Underwriting Association (JUA) for Midwifery and Birthing Centers Malpractice Insurance. WAC 284-87-050 ("Administration"), set up a governing board for the JUA. WAC 284-87-050, ("Assessments") provides at (1) that "The board may calculate, levy and collect assessments from member insurers whenever necessary for the orderly operation of the (JUA)." WAC 284-87-070(4) provides that "Assessments are due thirty days after mailing. Any member insurer failing to remit its assessment when it is due is subject to revocation of its certificate of authority."

4. On June 22, 2000, the JUA sent American International a Notice of Assessment, requiring that the insurer send payment of a \$2500 assessment. The Notice also provided

that "Assessments are due sixty days after mailing of the notice" and that "As provided in WAC 284-87-070(4), any insurer failing to remit its assessment is subject to revocation of its certificate of authority."

5. Since American International had not paid its \$2500 assessment by August 24, 2000, the JUA sent a reminder letter to American International, pointing out that the assessment was overdue. The reminder letter again pointed out that "...any insurer failing to remit its assessment when due is subject to revocation of its certificate of authority." From August 24, 2000, to the present, American International has never paid its 2000 assessment of \$2500.

CONCLUSIONS OF LAW:

1. By failing to remit its 2000 assessment of \$2500, American International Pacific Insurance Company violated WAC 284-87-070(4) and is subject to the revocation of its certificate of authority. In aggravation of the original violation, the insurer disregarded the reminder letter of August 24, 2000.
2. RCW 48.05.185 provides that "After hearing or with the consent of the insurer and in addition to or in lieu of the suspension, revocation or refusal to renew any certificate of authority, the commissioner may levy a fine upon the insurer in an amount not less than two hundred fifty dollars nor more than ten thousand dollars. The order levying such fine shall specify the period within which the fine shall be fully paid and which period shall not be less than fifteen nor more than thirty days from the date of such order. Upon failure to pay any such fine when due, the commissioner shall revoke the certificate of authority if not already revoked, and the fine shall be recovered in a civil action brought in behalf of the commissioner by the attorney general."

CONSENT TO ORDER:

1. American International Pacific Insurance Company hereby admits and stipulates to the foregoing Findings of Fact and Conclusions of Law. In addition, it acknowledges its duty to comply with all applicable statutes and regulations of the state of Washington.
2. The Commissioner has offered a settlement of this matter, instead of suspending or revoking American International's certificate of authority in Washington state. American International wishes to accept this offer of settlement, in lieu of further proceedings in this matter.

3. By agreement of the parties, the Commissioner will impose a fine of \$5000, with \$4000 of that sum being suspended upon conditions set forth below. The unsuspended \$1000 must be paid in full within thirty days of the date this consent order is entered. If the \$1000 is not paid to the Insurance Commissioner of the state of Washington, in full by that date, this will constitute grounds for the revocation of the certificate of authority which American International holds in this state, and the entire amount of the fine, \$5000, will be recovered in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the state of Washington.
4. From the amount of the fine, \$5000, the sum of \$4000 will be suspended for sixty days after the date this consent order is entered, upon condition that American International pay its 2000 \$2500 assessment to the Midwife JUA within 30 days after the date this order is entered. If American International does not do so, then the suspended \$4000 will be due and payable sixty days after the date this order is entered. If that amount of \$4000 is not paid in full within sixty days of the date this order is entered, this will constitute grounds for revocation of the certificate of authority held by American International in this state, and the amount of \$4000 will be recovered in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the state of Washington.
5. If American International does pay the unsuspended \$1000 of the fine to the Insurance Commissioner of the state of Washington, and also pays its 2000 assessment of \$2500 to the Midwife JUA, by not later than thirty days after the entry of this order, then the Insurance Commissioner will waive the suspended \$4000 of the fine.

SIGNED AND AGREED this 25th day of June, 2002.

AMERICAN INTERNATIONAL PACIFIC INSURANCE COMPANY

By_____

Typed Name_____

Typed Corporate Title_____

ORDER:

1. Pursuant to RCW 48.05.185, the Insurance Commissioner hereby imposes a fine of \$5000 (five thousand dollars and no/100) upon American International Pacific Insurance Company. Of this amount, the sum of \$4000 (four thousand dollars and no/100) shall be suspended upon conditions set forth below. The unsuspended \$1000 (one thousand dollars and no/100) must be paid in full to the Insurance Commissioner of the state of

Washington, within thirty days of the entry of this order. If the unsuspended \$1000 is not paid in full to the Insurance Commissioner of the state of Washington by that date, this will constitute grounds for the revocation of the certificate of authority held by American International, and the full amount of the fine, \$5000, will be recovered in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the state of Washington.

2. From the amount of the fine, \$5000, the sum of \$4000 will be suspended for sixty days after this consent order is entered, upon condition that American International pay its 2000 assessment of \$2500 to the Midwife JUA within thirty days after the date this order is entered. If the \$2500 is not paid to the Midwife JUA within thirty days after the entry of this order, and if the amount of \$4000 is also not paid in full to the Insurance Commissioner of the state of Washington, within sixty days after the entry of this order, then this will constitute grounds for the revocation of the certificate of authority held by American International in the state of Washington, and the amount of \$4000 (four thousand dollars and no/100) will be recovered in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the state of Washington.

3. If American International does pay the unsuspended \$1000 to the Insurance Commissioner of the state of Washington, and also does pay its 2000 assessment of \$2500 to the Midwife JUA, both within thirty days of the entry of this order, then the Insurance Commissioner will waive the suspended \$4000.

ENTERED AT TUMWATER, WASHINGTON, this 28th day of June, 2002.

MIKE KREIDLER
Insurance Commissioner

William Kirby
Legal Affairs Division